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Message Text

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64
ACTION ARA-20

INFO OCT-01 ISO-00 L-03 CIAE-00 INR-10 NSAE-00 RSC-01 EB-11

COME-00 INT-08 TRSE-00 DRC-01 /055 W
---------- 011216
R 062020Z MAR 74
FM AMEMBASSY TEGUCIGALPA
TO SECSTATE WASHDC 6488

C O N F I D E N T I A L TEGUCIGALPA 977

E.O. 11652: N/A
TAGS: EIND, EAGR, HO, US
SUBJECT: DECREE 103 - LUMBER (VIKING OIL COMPANY)

REF: SHULER/COTTER TELECON 3/14/74

SUMMARY: ROBERT BRIEDE, LOCAL MANAGER SICRE/MARACA LUMBER OPERATION OF VIKING OIL COMPANY, HAD LONG DISCUSSION WITH ECOM OFFICER. POSITION UNDER DECREE 103 OF SICRE/ MARACA OPERATION THOROUGHLY REVIEWED. PATTERN FOR APPROACH TO REYES OF COHDEFOR DISCUSSED. NO ACTION REQUESTED. END SUMMARY.

1. BRIEDE CALLED UPON ECOM OFF FOR FIRST EXTENDED DISCUSSION SINCE VISIT OF WEATHERLY OF VIKING OIL COMPANY JAN. 15, 1974. BRIEDE ALLOWED ECOMOFF TO READ VIKING CORRESPONDENCE WITH COHDEFOR AND PROMISED TO PROVIDE COPIES IN NEAR FUTURE. BASIC POSITION OF VIKING INDICATED IN LETTERS HAS TWO ASPECTS.

2. FIRST, VIKING OFFERED TO SELL 51 PERCENTOF ACTION IN TWO PORTIONS OF ITS OPERATION AT PRICES REPRESENTING ITS INVESTMENTS (LETTER OF JAN. 22). SECONDLY, VIKING REQUESTED INDICATION OF GOOD FAITH ON PART OF COHDEFOR IN ORDER TO ASSIST THE COMPANY IN DETERMINING WHETHER IT SHOULD CONTINUE OPERATIONS (LETTER OF FEB. 1).

3. EMBASSY CONSIDERS THAT COHDEFOR DECISION ON PURCHASE OF
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51 PERCENT OF SICRE/MARACA INVESTMENT REPRESENTS DIFFICULT

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AND TIME CONSUMING DECISION ON PART OF COHDEFOR. BECAUSE CONTINUATION OF SICRE OPERATION IS DECISION TO BE MADE IN MATTER OF WEEK OR TWO, EMBASSY TOOK POSITION THAT BRIEDE MIGHT REQUEST INDICATION OF GOOD FAITH ON PART OF COHDEFOR IN A LIST OF SPECIFICS RELATED TO CONTINUATION OF CUTTING OPERATIONS. (EXPORT OF ROUGH LUMBER IN AMOUNT OF THREE MILLION BOARD FEET HAS BEGIN AND WILL CONTINUE. QUESTION OF CONTINUED OPERATIONS RELATED PRIMARILY TO CUTTING AND SAW MILL OPERATION.)

4. LIST OF PARTICULARS WHICH WOULD SHOW GOOD FAITH ON THE PART OF COHDEFOR INCLUDES ASSISTANCE IN CONTINUED SALE OF ALREADY PREPARED LUMBER, MODIFICATION OF VIKING OBLIGATION TO PAY "PRE-CUTTING" RIGHTS TO GOH, FORMAL NOTIFICATION THAT GOH ACTION WOULD NOT BE TAKEN AGAINST COMPANY ON DEC. 31, 1974 IF IT HAD NOT DISPOSED OF 51 PERCENT OF STOCK, EXTENSION OF START-UP REQUIREMENT ON MARACA LAND WHICH IS NOW REQUIRED IN FEB. 75, CLARIFICATION OF CUTTING RIGHTS ON SICRE LAND, AND POSSIBLE ACTION ON PART OF MINISTRY OF LABOR RELATIVE TO COMPANY OBLIGATIONS TO EMPLOYEES UNDER LABOR LAWS. LAST ITEM ACTUALLY RELATES TO CUT-BACK OF OPERATIONS AND MIGHT NOT BE RELEVANT SHOULD COMPANY DECIDE TO CONTINUE CUTTING AND SAWING.

5. FROM PREVIOUS DISCUSSIONS OF ECOM OFFICERS WITH REYES, EMBASSY DOES NOT BELIEVE FIRST FIVE ITEMS ABOVE REPRESENT DIFFICULTIES FOR HIM. WE BELIEVE THEY ARE WITHIN HIS ADMINISTRATIVE AUTHORITY AND CAN BE QUICKLY IRONED OUT IN DISCUSSIONS WITH BRIEDE. OUR PRESUMPTION IS THAT IF THIS CAN BE DONE SOON, MODIFICATION IN THE APPARENT VIKING DECISION TO CEASE SAWING AND CUTTING OPERATIONS CAN BE JUSTIFIED.

6. THE ADVANTAGE TO VIKING IN CONTINUING OPERATIONS IS THAT PRESENT VALUE OF RIGHTS AND EQUIPMENT WOULD BE GREATER IF OPERATION CONTINUES. VIKING APPARENTLY CONSIDERING SALE OF EQUIPMENT IN ORDER TO MINIMIZE INVESTMENT LOSSES. BALANCE BETWEEN PRESENT CAST FLOW FROM SALE OF ALREADY CUT LUMBER AND NET GAIN FROM INCREASE STOCK OF SALABLE ROUGH LUMBER IS, OF COURSE, BUSINESS DECISION OF VIKING.

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7. WHAT IS SUGGESTED ABOVE IS SLIGHT MODIFICATION AND EXTENSION OF VIKING PROPOSAL TO COHDEFOR OF FEB. 1 IN WHICH VIKING SEEKS INDICATION OF GOOD FAITH ON PART OF COHDEFOR IN ORDER TO CONTINUE ITS OPERATIONS.

8. BRIEDE WILL PRESENT LIST, OR SOMETHING EQUIVALENT, TO REYES THIS WEEK. ECOM OFFICERS WILL ATTEMPT REVIEW WITH REYES AND BRIED SEPARATELY FOLLOWING BRIEDE'S

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PRESENTATION.

9. FYI: BRIEDE CLOSELY TIED WITH RAYONIER PROJECT IN
OLANCHO, AND POTENTIAL EXISTS FOR RAYONIER RELATIONSHIP
WITH VIKING THROUGH MARACA TIMBER STAND. BOTH CRASSWELLER
OF ITT AND BRIEDE OF VIKING HAVE MENTIONED THIS POTENTIAL
RELATIONSHIP IN DISCUSSIONS WITH EMBASSY BUT EMBASSY,
BECUASE OF CONFIDENTIAL TREATMENT REQUESTED, HAS INDICATED
NO KNOWLEDGE TO EITHER PARTY OF WHAT THE OTHER HAS STATED.
END FYI.
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